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INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 4571
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C O N F I D E N T I A L KATHMANDU 001797

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E.O. 12958: DECL: 07/10/2016
TAGS: [PGOV](#) [ECON](#) [PREF](#) [NP](#)
SUBJECT: NEPAL'S "STATE OF THE UNION" IMPRESSES FEW

Classified By: Charge d'Affaires Nicholas Dean. Reasons 1.4 (b/d).

SUMMARY

¶1. (C) On July 9, Deputy Prime Minister K.P. Oli presented to Parliament the Government of Nepal's (GON) annual policy and program statement for the 2006-2007 fiscal year (full text emailed to SCA/INS). (Note: The Nepali fiscal year runs from July 15 - July 14. End Note.) The statement to Parliament, attended by the Charge and other members of the diplomatic community, was comprehensive, if light on details. It focused on consolidating the democratic gains from the people's movement, including the GON's commitment to establish sustainable peace through constituent assembly elections. While some political and business leaders were happy with the statement, many were critical that the statement was "traditional" and failed to address the expectations of the pro-democracy movement. End Summary.

ANNUAL POLICY AND PROGRAM STATEMENT VERY BROAD

¶2. (U) In a departure from the past practice of the King presenting Parliament with the GON's equivalent of its "State of the Union," and with PM Koirala still in the hospital, Deputy PM Oli presented the GON's comprehensive 34-point policy and program statement for the 2006-2007 Nepali fiscal year on July 9. It included transitional themes of peace and constituent assembly elections. The Nepal Army, Nepal Police, and Armed Police Force are to be managed "in accordance with the changed context." Sustainable peace is to be established "in accordance of the people's wishes" by holding free and fair constituent assembly elections. Programs are to be launched for the relief and welfare of those affected by and displaced by the Maoist insurgency.

¶3. (U) The annual statement also focused on the rural sector. The GON will give priority for projects that increase rural employment and will give more money to Village Development Committees (VDC). The GON pledged to target rural empowerment and poverty reduction programs, with priority for women's capacity development programs. The GON plans to implement some mid-scale hydroelectric projects to meet electricity needs of the people to include an expansion of rural electrification. Also, each household without electricity will be provided a solar lamp. On the economic

front, the GON plans to establish an Industrial Revival Fund to rehabilitate industries and economic sectors negatively affected due to the "state of crisis" of the economy over the past five years. The GON announced it will seek reform in the civil service to make it competent, efficient, and service oriented. The GON also promised to make efforts to bring an "early end to the Bhutanese refugee problem," as well as "repatriate them to their country with dignity."

SOME POSITIVE REACTIONS TO STATEMENT...

14. (C) CPN-UML General Secretary Madhav Kumar Nepal welcomed the statement and stressed that its essence was "transformation of transitional Nepali society into a new democratic one." Businessman Rajendra Khetan, Vice President of the Confederation of Nepalese Industries, stressed that this "was the first time ever" the government had given importance to economic and trade issues in its annual statement. He noted that if implemented, the statement of policies and programs "could not be a better document."

...BUT MANY POLITICOS CRITICAL

15. (C) Many political leaders commented that the statement did not sufficiently address the expectations of the recent pro-democracy movement. Anil Jha, Joint Secretary General of the leftist Nepal Sadbhawana Party-Anandi Devi (NSP) told Emboff that the programs announced by the Seven-Party Alliance (SPA) government were like "old wine in a new bottle." He speculated that, given such lackluster announcements, the general masses could become disillusioned with the government and SPA, and gradually become inclined toward Maoist plans and programs." Surendra Prasad Chaudhary, Member of Parliament, Nepali Congress (NC), thought the programs announced were "stereotypical" and commented that the statement should have been done in a better way to "empower every sector of society."

16. (C) Pashupati Shumsher Rana, Chairman of the conservative, more royalist Rastriya Prajatantra Party (RPP), called the statement "traditional" and said it failed to address the expectations of the pro-democracy movement. He opined "there should have been a clear mention of legal, technical, and practical issues to be addressed for free and fair constituent assembly elections." Madhav Kumar Nepal acknowledged the statement had some shortcomings and mentioned that it would have been better if the SPA "had come up with a time table and action plan for constituent assembly elections." Chairman of the Rastriya Janashakti Party (RJP) Surya Bahadur Thapa commented that the statement lacked "any priority and time frame" or "any concrete action plan to bail the country out." Thapa stressed the need to settle the arms issue before the Maoists joined the government.

COMMENT

17. (C) The new government's annual statement of policies and programs contains many general statements that look good on paper. However, with the GON's poor track record of backing up its words with actions, many people had hoped this year's statement would contain more specific, obtainable plans, rather than broad, less credible proposals agreeing to fix all the country's woes. The criticism of the GON's statement is part of the ongoing disappointment on the part of many Nepalis with unmet expectations from the new government. PM Koirala's absence due to poor health further adds to the perception that the GON is idling and not moving forward.

DEAN